

**The Federal Accounting Standards  
Advisory Board**

**FASAB Update**

**16th Annual Government Financial  
Management Conference**

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# **Disclaimer**

**Views expressed are those of  
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publications.**

# **Recent Activity – Standards**

- **Completed in FY 2005:**
  - **Inter-entity costing (FY 2009)**
  - **Stewardship Land and Heritage Assets (FY 2009)**
  - **Earmarked Funds (FY 2006)**
- **Proposed in FY 2006:**
  - **Fiduciary Activities (FY 2009)**

# **Recent Activity – Exposure Drafts**

- **Exposure Drafts released in FY 2006:**
  - **Elements of Accrual-Basis Financial Statements**
  - **CFR Disclosures**
  - **Technical Bulletin on Asbestos-Related Cleanup Costs**

# **Recent Activity – Invitation to Comment**

- **Invitation to Comment in FY 2006:**
  - **Technical Agenda**
    - Accelerating the Conceptual Framework
    - Source of GAAP – FASAB or FASB for Government Corporations and Legacy Entities
    - The Federal Entity
    - Leases

# **Recent Activity – “Draft” Exposure Drafts**

- **Exposure Drafts currently in progress:**
  - **Social Insurance**
  - **Natural Resources (Oil and Gas)**
  - **Inventory**

# **Inter-entity Costs (SFFAS 30)**

- **Objective: full cost of programs**
  - Requires full costing for goods and services transferred between federal agencies by FY 2009.
- **Challenges: Identifying material costs and “broad and general support”**
- **Changes reflected in OMB Circular A-136**
- **AAPC task force**

# **Stewardship Land and Heritage Assets (SFFAS 29)**

- **Objective: Fair presentation of assets not recognized on the balance sheet**
  - Requires disclosure of non-financial information
  - Phased implementation through FY 2009
- **Challenges: Level of aggregation of non-financial information**
- **Changes reflected in OMB Circular A-136**
- **AAPC Task Force**



# **Earmarked Funds (SFFAS 27)**

- **Objective: Fair presentation of restricted use revenues and their impact on the government's finances.**
  - Display must include separate identification of earmarked results of operations and net position.
  - Effective in FY 2006
- **Challenges: Added complexity to the statements.**
- **Changes reflected in OMB Circular A-136**

# **Status of Major Projects**

- **Conceptual Framework**
  - Objectives
  - Elements
  - Statements and Notes
- **Social Insurance**
- **Other Liabilities**
- **Natural Resources**
- **Fiduciary Activities**

# **Conceptual Framework Phases**

- **Objectives and qualitative characteristics**
- **Elements and Recognition Criteria**
- **Financial Reporting Model and Sustainability Reporting**
- **Measurement Attributes**
- **Entity**

# **Status of Active CF Phases – Phase One**

- **Reporting Objectives**
  - **Completing a review of the FASAB's role and its environment.**
  - **Reviewing each of the four existing objectives.**
  - **Preparing white paper on FASAB's role**

# **Status of Active CF Phases – Phases Two and Three**

- **Elements**
  - **Defining five elements of accrual-basis financial statements:**
    - **Assets, liabilities, net position, revenues and expenses**
  - **Uncertainty and recognition criteria**
  - **Issued exposure draft in June 2006; comments were due August 5, 2006**
- **Statements and Notes**

# Proposed Asset Definition

- **An *asset* is a resource that embodies economic benefits or services that the federal government can control.**
  - Embodies economic benefits or services that can be used in the future.
  - The federal government can control access to economic benefits or services and, therefore, can obtain them and deny or regulate the access of other entities.

# Proposed Liability Definition

- ***A liability* is a present obligation of the federal government to provide assets or services to another entity at a determinable date, when a specified event occurs, or on demand.**
  - Constitutes a present obligation to provide assets or services to another entity.
  - The federal government and the other entity have an agreement or understanding as to when settlement of the obligation is to occur.

# Proposed Net Position Definition

- ***Net position*** or its equivalent, net assets, is the arithmetic difference between the total assets and total liabilities recognized in the federal government's or a component entity's balance sheet.



# Proposed Revenue Definition

- ***A revenue* is an increase in assets, a decrease in liabilities, or a combination of both from providing goods or services, levying taxes or other impositions, receiving donations, or any other activity (excluding borrowing) performed during the reporting period.**

# Proposed Expense Definition

- ***An expense* is a decrease in assets, an increase in liabilities, or a combination of both from providing cash or cash equivalents, goods or services, or any other activity (excluding repayments of borrowing) performed during the reporting period.**

# **Proposed Recognition Criteria**

- **An item meets the definition of an element.**
- **The item is measurable (quantifiable in monetary terms).**

# **Social Insurance**

- **A majority of the Board tentatively agrees that an obligation exists prior to due and payable (40 quarters work in covered employment)**
- **Issues:**
  - **Understandability**
    - **Ability to change law**
    - **Size and volatility**
  - **Usefulness**

# **Social Insurance**

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# **Other Liabilities**

- **Evaluating liability standards for all liabilities other than Social Insurance**
- **Starting with the classification of liabilities**
  - **One liability definition will be applied**
  - **Classes are used to group like events and transactions**
  - **Survey sent to IGs and CFOs; responses requested by August 15, 2006**

# Natural Resources

- **Recognizing oil and gas proved reserves at calculated current value**
- **Results in information on:**
  - Quantity of proved reserves
  - Value of proved reserves
  - Royalty revenue and depletion of reserves
  - Extensive disclosure and RSI

# **Fiduciary Activities**

- **Distinguishes fiduciary activities from federal program activities**
- **Requires note disclosure rather than financial statement recognition**
- **Issues**
  - **Entities with different basis of accounting**
  - **Entities with different fiscal year-end**
  - **Exclusions**
  - **Additional disclosures**
- **Amended MOU to extend review period**
- **If issued, would be effective in FY 2009.**



# FASAB On-Line Resources

- **[www.fasab.gov](http://www.fasab.gov)**
  - All exposure drafts and final pronouncements.
  - Electronic mailing list for updates including newsletter and requests for comment.
  - Active project pages including briefing materials.

# Contact Information

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